

**Town of Natick Contributory Retirement System**

*Actuarial Valuation and Review  
as of January 1, 2006*

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*June 23, 2006*

*Retirement Board  
Town of Natick Contributory Retirement System  
13 East Central Street  
Natick, MA 01760*

*Dear Board Members:*

*We are pleased to submit this Actuarial Valuation and Review as of January 1, 2006. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2007 and later and analyzes the preceding two years' experience.*

*The census information and financial information on which our calculations were based was prepared by the staff of the Natick Retirement System. That assistance is gratefully acknowledged. The actuarial calculations were completed under my supervision.*

*This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.*

*We look forward to reviewing this report at your next meeting and to answering any questions.*

*Sincerely,*

*THE SEGAL COMPANY*

*By: \_\_\_\_\_  
Kathleen A. Riley, FSA, MAAA, EA  
Senior Vice President and Actuary  
256822/04940.005*

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## SECTION 1: Valuation Summary for the Town of Natick Contributory Retirement System

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### Purpose

This report has been prepared by The Segal Company to present a valuation of the Town of Natick Contributory Retirement System as of January 1, 2006. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of M.G.L. Chapter 32;
- The characteristics of covered active participants, inactive participants, and retired participants and beneficiaries as of January 1, 2006;
- The assets of the Plan as of December 31, 2005;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

### Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The actuarial valuation report as of January 1, 2006 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected.
- During the plan years ended 2004 and 2005, the market value rate of return was 6.72% and 5.93%, respectively. Because the actuarial value of assets gradually recognizes market value fluctuations over a five-year period, the actuarial rate of return for the plan years ended 2004 and 2005 were 5.92% and 5.93%, respectively. The actuarial value of assets as of December 31, 2005 was \$79.2 million, or 108.4% of the market value of assets of \$73.1 million.
- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of December 31, 2005 is \$6.2 million. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a **market value** basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would still increase in each of the next few years.

## SECTION 1: Valuation Summary for the Town of Natick Contributory Retirement System

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- The unfunded liability has increased from \$38.8 million as of January 1, 2004 to \$39.7 million as of January 1, 2006 due to the investment loss, partially offset by a gain from salaries increasing less than expected.
- This valuation reflects the following:
  - The administrative expense assumption was increased from \$170,000 for calendar 2004 to \$250,000 for calendar 2006.
  - In 2004, the Public Employee Retirement Administration Commission approved a new mortality table and interest rate to be used in the calculation of the optional form of payment factors. This valuation reflects the change to the new factors.
  - This valuation reflects the additional liability due to the increased benefits for veterans who retire on an accidental disability.
  - A liability for a deferred retirement allowance has been calculated for inactive vested members with a reported final average salary.
- Because the fiscal 2007 appropriation has already been budgeted at \$5,059,655, the results of this valuation will first be reflected in the fiscal 2008 appropriation of \$5,541,638. The current funding schedule amortizes the 1992 ERI liability by June 30, 2008 and the remaining unfunded liability by June 30, 2026.

**SECTION 1: Valuation Summary for the Town of Natick Contributory Retirement System**

**Summary of Key Valuation Results**

	<b>2006</b>	<b>2004</b>
<b>Contributions:</b>		
Recommended for fiscal 2007 and 2005	\$5,059,655	\$4,484,219
Recommended for fiscal 2008 and 2006	5,541,638	4,841,775
<b>Funding elements for plan year beginning January 1:</b>		
Normal cost, including administrative expenses	\$4,118,408	\$3,503,352
Market value of assets	73,066,053	64,264,964
Actuarial value of assets	79,234,306	70,246,877
Actuarial accrued liability	118,903,286	109,024,236
Unfunded/ actuarial accrued liability	39,668,980	38,777,359
<b>GASB 25/27:</b>		
Annual required contributions	\$5,059,655	\$4,484,327
Actual contributions	--	4,484,327
Percentage contributed	--	100.00%
Funded ratio	66.64%	64.43%
<b>Demographic data for plan year beginning January 1:</b>		
Number of retired participants and beneficiaries	367	365
Number of inactive participants entitled to a return of their employee contributions	62	65
Number of inactive participants with a vested right to a deferred or immediate benefit	9	N/A
Number of active participants	584	544
Total payroll	\$23,575,607	\$21,042,039
Average payroll	40,369	38,680

**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

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**A. PARTICIPANT DATA**

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, inactive participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A and B.

*A historical perspective of how the participant population has changed over the past six valuations can be seen in this chart.*

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**CHART 1**  
**Participant Population: 1996 – 2005**

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<b>Year Ended December 31</b>	<b>Active Participants</b>	<b>Inactive Participants*</b>	<b>Retired Participants and Beneficiaries</b>
1996	475	22	367
1998	483	8	381
1999	530	8	370
2001	555	94	367
2003	544	65	365
2005	584	71	367

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\* Excludes inactive participants with a vested right to a return of their employee contributions prior to 2001.

**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

**Active Participants**

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 584 active participants with an average age of 47.1, average years of service of 11.7 years and average payroll of \$40,369. The 544 active participants in the prior valuation had an average age of 46.6, average service of 12.2 years and average payroll of \$38,680.

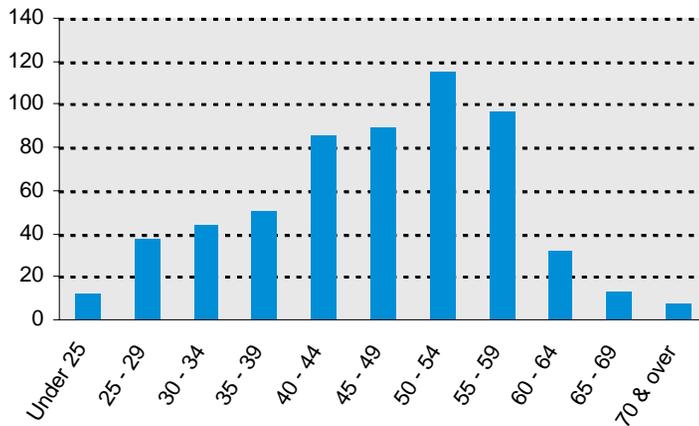
Among the active participants, there were none with unknown age and/or service information.

**Inactive Participants**

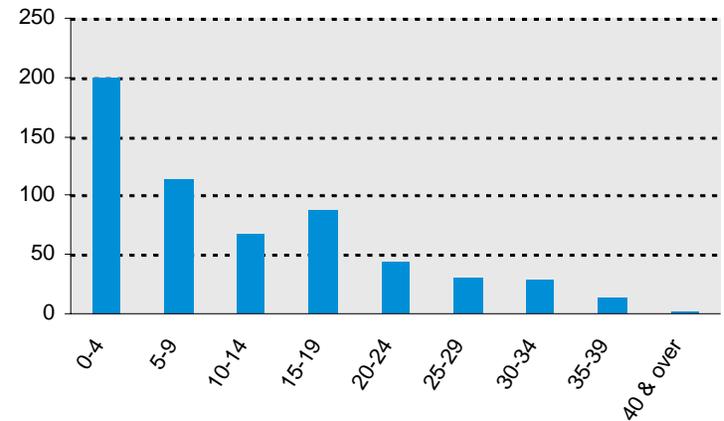
In this year's valuation, there were 9 participants with a vested right to a deferred or immediate vested benefit and 62 participants entitled to a return of their employee contributions.

*These graphs show a distribution of active participants by age and by years of service.*

**CHART 2**  
**Distribution of Active Participants by Age as of December 31, 2005**



**CHART 3**  
**Distribution of Active Participants by Years of Service as of December 31, 2005**



**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

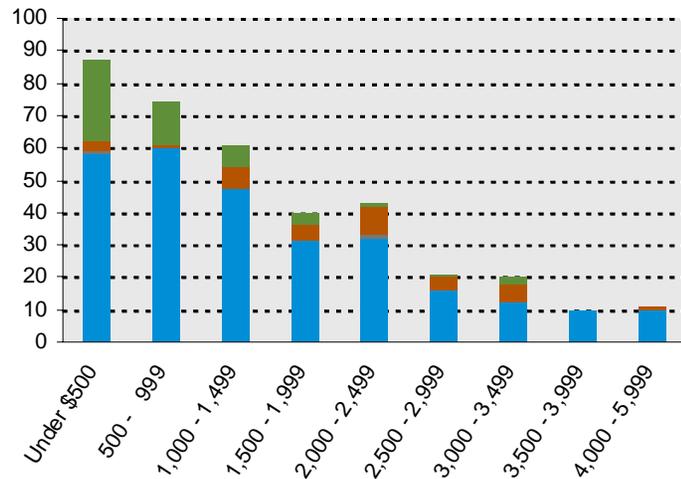
**Retired Participants and Beneficiaries**

As of December 31, 2005, 314 retired participants and 53 beneficiaries were receiving total monthly benefits of \$531,593 excluding COLAs reimbursed by the Commonwealth. For comparison, in the previous valuation, there were 312 retired participants and 53 beneficiaries receiving monthly benefits of \$492,405.

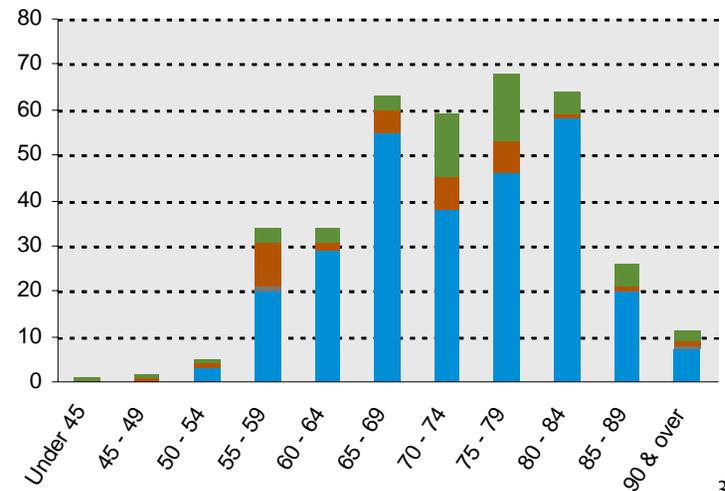
*These graphs show a distribution of the current retired participants and beneficiaries based on their monthly amount and age, by type of pension.*

- Beneficiaries
- Accidental Disability
- Ordinary Disability
- Superannuation

**CHART 4**  
**Distribution of Retired Participants and Beneficiaries by Type and by Monthly Amount as of December 31, 2005**



**CHART 5**  
**Distribution of Retired Participants and Beneficiaries by Type and by Age as of December 31, 2005**



**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

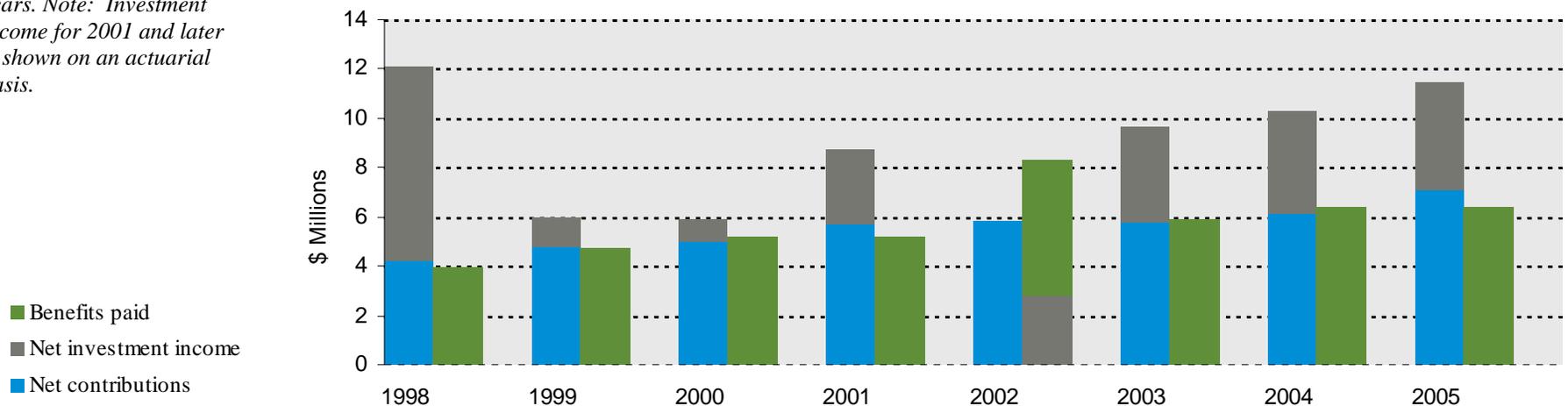
**B. FINANCIAL INFORMATION**

Retirement plan funding anticipates that, over the long term, both net contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits C and D.

*The chart depicts the components of changes in the actuarial value of assets over the last eight years. Note: Investment income for 2001 and later is shown on an actuarial basis.*

**CHART 6**  
**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended December 31, 1998 – 2005**



**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

*The chart shows the determination of the actuarial value of assets as of the valuation date.*

**CHART 7  
Determination of Actuarial Value of Assets**

	Year Ended	
	December 31, 2005	December 31, 2004
1. Actuarial value of assets at the beginning of the year	\$74,116,886	\$70,246,877
2. Contributions, less benefit payments and expenses during the year	702,050	-282,477
3. Average actuarial value: (1) + [50% of (2)]	74,467,911	70,105,638
4. Expected investment income: .08 x (3)	5,957,433	5,608,451
5. Preliminary actuarial value of assets at the end of the year: (1) + (2) + (4)	80,776,369	75,572,851
6. Market value of assets at the end of the year	73,066,053	68,293,026
7. Adjustment toward market value: 20% of [(6) - (5)]	-1,542,063	-1,455,965
8. Adjustment to be within 20% corridor	0	0
9. Final actuarial value of assets: (5) + (7) + (8)	<u>\$79,234,306</u>	<u>\$74,116,886</u>
10. Actuarial value as a percentage of market value: (9) ÷ (6)	108.4%	108.5%

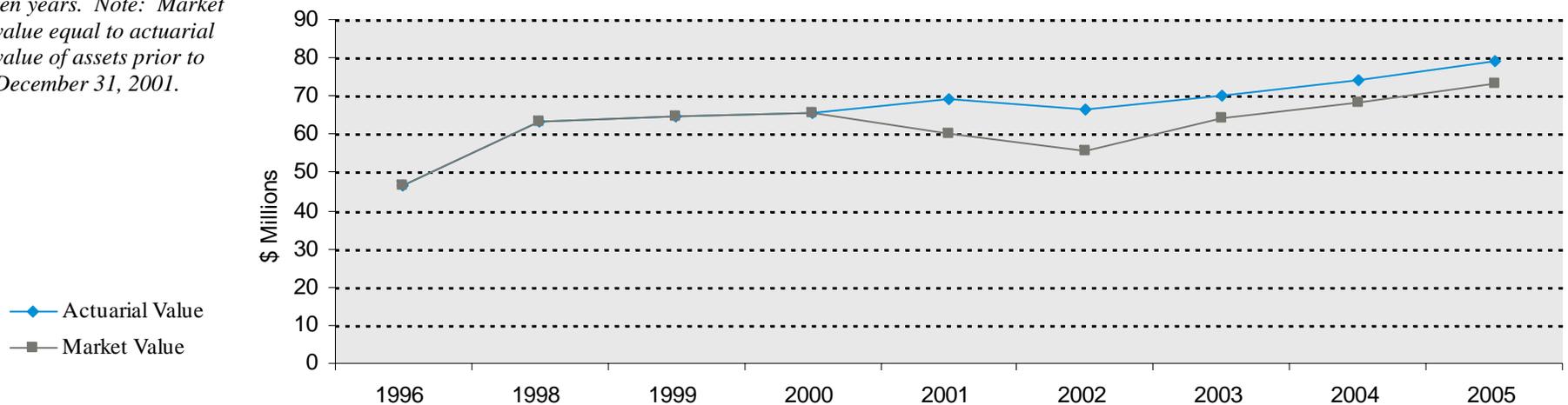
## SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System

Both the actuarial value and market value of assets are representations of the Natick Retirement System's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Natick Retirement System's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded liability is an important element in determining the contribution requirement.

*This chart shows the change in the actuarial value of assets versus the market value over the past ten years. Note: Market value equal to actuarial value of assets prior to December 31, 2001.*

**CHART 8**

**Actuarial Value of Assets vs. Market Value of Assets as of December 31, 1996 – 2005**



**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

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**C. ACTUARIAL EXPERIENCE**

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

When compared to the actuarial accrued liability of \$118,903,286 as of December 31, 2005, the net experience variation was not significant. A discussion of the major components of the actuarial experience is on the following pages.

*This chart provides a summary of the actuarial experience over the past two years.*

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**CHART 9**  
**Actuarial Experience for Two-Year Period Ended December 31, 2005**

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1. Net (loss) from investments*	-\$2,998,028
2. Net (loss) from administrative expenses	-61,678
3. Net gain from other experience**	<u>2,594,084</u>
4. Net experience (loss): (1) + (2) + (3)	-\$465,622

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\* Details in Chart 10

\*\*Details in Chart 13

**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

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**Investment Rate of Return**

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Natick Retirement System’s investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.00%. The actual rate of return on an actuarial basis for the 2005 plan year was 5.93% and 5.92% for the 2004 year.

Since the actual returns for the two years were less than the assumed return, the Natick Retirement System experienced an actuarial loss during the two-year period ending December 31, 2005 with regard to its investments.

*This chart shows the gain/(loss) due to investment experience.*

**CHART 10**  
**Actuarial Value Investment Experience**

	Year Ended	
	December 31, 2005	December 31, 2004
1. Actual return	\$4,415,370	\$4,152,486
2. Average value of assets	74,467,911	70,105,638
3. Actual rate of return: (1) ÷ (2)	5.93%	5.92%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	\$5,957,433	\$5,608,451
6. Actuarial gain/(loss): (1) – (5)	<u>-\$1,542,063</u>	<u>-\$1,455,965</u>

**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last eight years, including five-year and eight-year averages.

Based upon this experience and future expectations, we have maintained the assumed rate of return of 8.00%.

**CHART 11**

**Investment Return – Actuarial Value vs. Market Value: 1998 - 2005**

Year Ended December 31	Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent
1998	\$7,860,382	17.47%	\$7,860,382	17.47%
1999	1,202,261	1.90	1,202,261	1.90
2000	950,347	1.47	950,347	1.47
2001	3,006,488	4.58	-5,995,681	-9.12
2002	-2,823,332	-4.08	-4,906,912	-8.16
2003	3,822,093	5.75	8,925,929	16.12
2004	4,152,486	5.92	4,310,539	6.72
2005	<u>4,415,370</u>	5.93	<u>4,070,978</u>	5.93
Total	\$22,586,095		\$16,417,843	
	Five-year average return	3.63%		2.04%
	Eight-year average return	4.35%		3.37%

*Note: Each year's yield is weighted by the average asset value in that year.*

**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

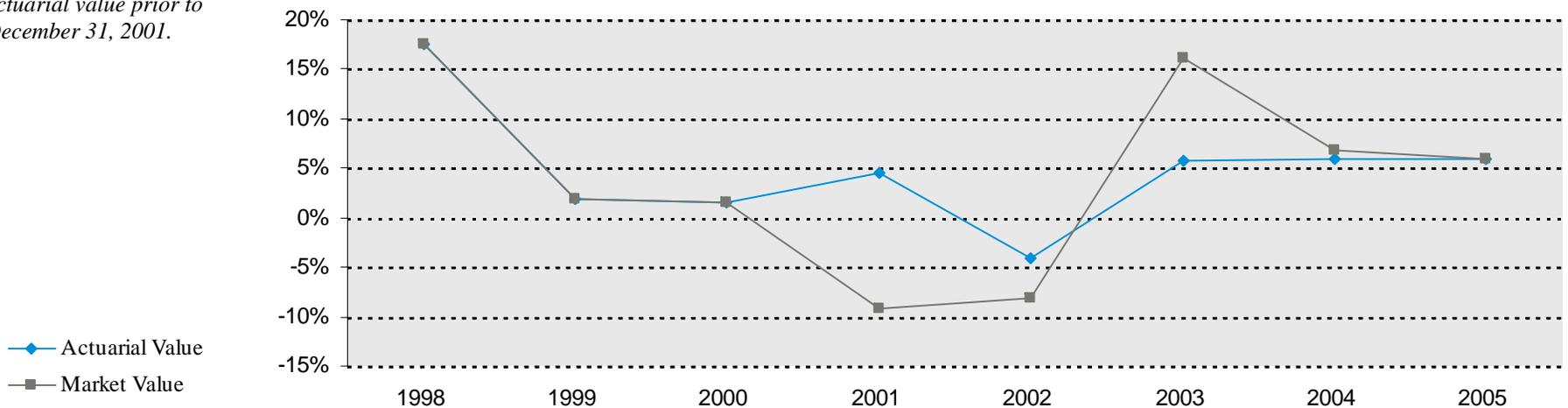
Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

**Administrative Expenses**

Administrative expenses for the years ended December 31, 2004 and 2005 were \$185,468 and \$227,154, respectively, compared to the assumption of \$170,000 for 2004 and \$177,650 for 2005. This resulted in a loss of \$61,678 for the two-year period, including an adjustment for interest. We have increased the assumption to \$250,000 for calendar 2006.

*This chart illustrates how this leveling effect has actually worked. Note: Market value equal to actuarial value prior to December 31, 2001.*

**CHART 12**  
**Market and Actuarial Rates of Return for Years Ended December 31, 1998 - 2005**



**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

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**Other Experience**

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the two-year period ending December 31, 2005 amounted to \$2,594,084 which is 2.2% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the Natick Retirement System for the two-year period ending December 31, 2005 is shown in the chart below. A component of the miscellaneous gain is fewer disability retirements than expected.

With this valuation we recommend the following assumption changes:

- The administrative expense assumption was increased from \$170,000 for calendar 2004 to \$250,000 for calendar 2006.
- In 2004, the Public Employee Retirement Administration Commission approved a new mortality table and interest rate to be used in the calculation of the optional form of payment factors. This valuation reflects the change to the new factors. Changing this assumption increased the unfunded liability by \$152,715.
- A liability for a deferred retirement allowance has been calculated for inactive vested members with a reported final average salary. This change increased the unfunded liability by \$385,719.

*The chart shows elements of the experience gain/(loss) for the most recent years.*

---

**CHART 13**

**Experience Due to Changes in Demographics for Two-Year Period Ended December 31, 2005**

1. Salary increases less than expected for continuing actives	\$1,998,468
2. Miscellaneous gain	<u>595,616</u>
3. Total	\$2,594,084

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**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

**D. RECOMMENDED CONTRIBUTION**

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability.

As of January 1, 2006, the recommended contribution is based on a 2-year increasing amortization of the 1992 ERI liability and a 20-year increasing amortization of the remaining unfunded liability. The remaining unfunded accrued liability includes \$97,116 for the additional liability due to the increased benefit for veterans who retire

on an accidental disability.

Because the fiscal 2007 appropriation has already been budgeted at \$5,059,655, the results of this valuation will first be reflected in the fiscal 2008 appropriation of \$5,541,638. Exhibit G in Section 3 shows the recommended contribution through 2028 based on this funding schedule. The current funding schedule fully amortizes the unfunded liability by June 30, 2026.

*The chart compares this valuation's recommended contribution with the prior valuation.*

**CHART 14**  
**Recommended Contribution**

	Year Beginning January 1			
	2006		2004	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$3,868,408	15.59%	\$3,333,352	15.04%
2. Administrative expenses	250,000	1.01%	170,000	0.77%
3. Expected employee contributions	<u>-2,101,862</u>	<u>-8.47%</u>	<u>-1,823,879</u>	<u>-8.23%</u>
4. Employer normal cost: (1) + (2) + (3)	\$2,016,546	8.13%	\$1,679,473	7.58%
5. Actuarial accrued liability	118,903,286		109,024,236	
6. Actuarial value of assets	<u>79,234,306</u>		<u>70,246,878</u>	
7. Unfunded actuarial accrued liability: (5) - (6)	\$39,668,980		\$38,777,358	
8. Employer normal cost projected to July 1, 2006 and 2004, adjusted for timing	2,101,466	8.28%	1,750,198	7.72%
9. Projected unfunded/ actuarial accrued liability	41,225,213		40,298,614	
10. Payment on projected unfunded actuarial accrued liability, adjusted for timing	3,185,195	12.56%	2,873,525	12.68%
11. Preliminary recommended contribution: (8) + (10)	5,286,661	20.84%	4,623,723	20.40%
12. Budgeted appropriation	<u>5,059,655</u>	<u>19.95%</u>	<u>4,481,219</u>	<u>19.77%</u>
13. Projected payroll	\$25,366,767		\$22,663,723	

Notes: Amortization payments increase at 4.50% per year. Recommended contributions are assumed to be paid on July 1 and December 31.

**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

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The recommended contribution is based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

**Reconciliation of Recommended Contribution**

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

*The chart reconciles the recommended contribution from the prior valuation to the amount determined in this valuation.*

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**CHART 15**  
**Reconciliation of Recommended Contribution from July 1, 2004 to July 1, 2006**

<b>Preliminary Recommended Contribution as of July 1, 2004</b>	\$4,623,723
Expected increase	\$435,932
Effect of increase in veterans' allowances for accidental disability retirement	6,909
Effect of change in actuarial assumptions	128,260
Effect of investment loss	213,298
Effect of net other changes	<u>-121,461</u>
<b>Total change</b>	<u>\$662,938</u>
<b>Preliminary Recommended Contribution as of July 1, 2006</b>	\$5,286,661

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**SECTION 2: Valuation Results for the Town of Natick Contributory Retirement System**

**E. INFORMATION REQUIRED BY THE GASB**

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

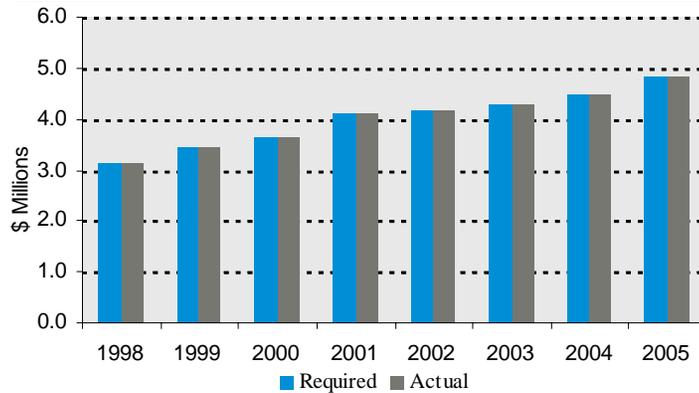
actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

Although GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 17 shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

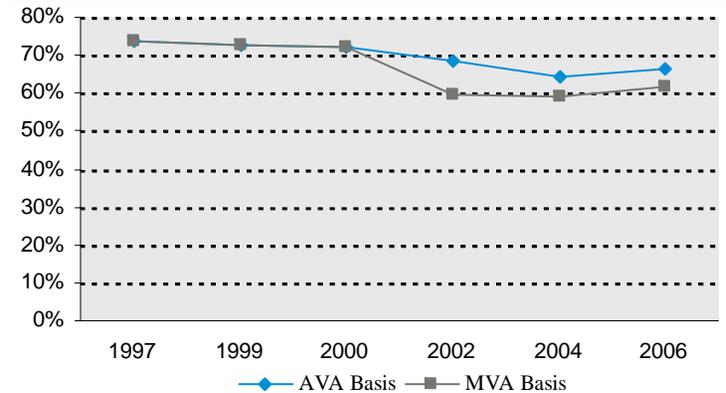
The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

*These graphs show key GASB factors.*

**CHART 16**  
**Required Versus Actual Contributions**



**CHART 17**  
**Funded Ratio**



**SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System**

**EXHIBIT A**

**Table of Plan Coverage**

<b>Category</b>	<b>Year Ended December 31</b>		<b>Change From Prior Year</b>
	<b>2005</b>	<b>2003</b>	
<b>Active participants in valuation:</b>			
Number	584	544	7.4%
Average age	47.1	46.6	N/A
Average service	11.7	12.2	N/A
Total payroll	\$23,575,607	\$21,042,039	12.0%
Average payroll	40,369	38,680	4.4%
Account balances	20,652,472	18,500,864	11.6%
<b>Inactive participants entitled to a return of their employee contributions</b>	62	65	-4.6%
<b>Inactive participants with a vested right to a deferred or immediate benefit</b>	9	N/A	N/A
<b>Retired participants:</b>			
Number in pay status	276	266	3.8%
Average age	73.1	73.2	N/A
Average monthly benefit	\$1,499	\$1,368	8.2%
<b>Disabled participants:</b>			
Number in pay status	38	46	-17.4%
Average age	67.9	66.9	N/A
Average monthly benefit	\$1,923	\$1,785	7.7%
<b>Beneficiaries in pay status</b>	53	53	0.0%

**SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System**

**EXHIBIT B**

**Participants in Active Service as of December 31, 2005  
By Age, Years of Service, and Average Payroll**

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	12	11	1	--	--	--	--	--	--	--
	\$30,179	\$29,603	\$36,517	--	--	--	--	--	--	--
25 – 29	38	31	6	1	--	--	--	--	--	--
	\$29,652	\$27,756	\$37,837	\$39,307	--	--	--	--	--	--
30 – 34	44	25	13	6	--	--	--	--	--	--
	\$41,972	\$37,980	\$44,981	\$52,085	--	--	--	--	--	--
35 – 39	51	22	12	10	7	--	--	--	--	--
	\$43,780	\$37,506	\$43,448	\$52,887	\$51,061	--	--	--	--	--
40 – 44	86	30	20	9	22	5	--	--	--	--
	\$40,910	\$27,173	\$35,054	\$55,954	\$56,102	\$52,837	--	--	--	--
45 – 49	89	37	19	8	13	9	3	--	--	--
	\$38,677	\$27,162	\$30,235	\$40,015	\$68,830	\$55,885	\$48,310	--	--	--
50 – 54	115	25	20	12	18	13	16	10	1	--
	\$45,394	\$27,704	\$37,865	\$33,908	\$49,977	\$56,820	\$69,111	\$54,048	\$79,078	--
55 – 59	97	13	17	17	19	9	7	9	6	--
	\$39,749	\$19,187	\$30,964	\$36,316	\$35,075	\$33,732	\$54,256	\$78,330	\$67,945	--
60 – 64	32	2	5	4	5	2	4	4	5	1
	\$46,360	\$28,257	\$38,667	\$29,399	\$44,923	\$31,074	\$63,798	\$44,260	\$68,901	\$52,567
65 – 69	13	3	1	--	3	4	--	2	--	--
	\$29,051	\$17,026	\$13,434	--	\$42,791	\$34,681	--	\$23,025	--	--
70 & over	7	1	--	--	--	1	--	3	1	1
	\$15,624	\$36,570	--	--	--	\$38,931	--	\$8,610	\$1,593	\$6,444
Total	584	200	114	67	87	43	30	28	13	2
	\$40,369	\$29,335	\$36,278	\$42,482	\$50,637	\$47,656	\$62,856	\$53,370	\$64,065	\$29,506

**SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System**

**EXHIBIT C**

**Summary Statement of Income and Expenses**

	Year Ended December 31, 2005	Year Ended December 31, 2004
<b>Contribution income:</b>		
Employer contributions	\$4,841,775	\$4,484,327
Employee contributions	2,470,199	1,793,072
Federal grant reimbursement	0	48,540
Less administrative expenses	<u>-227,154</u>	<u>-185,468</u>
Net contribution income	\$7,084,820	\$6,140,471
<b>Net investment income</b>	<u>4,415,370</u>	<u>4,152,486</u>
<b>Total income available for benefits</b>	\$11,500,190	\$10,292,957
<b>Less benefit payments:</b>		
Pensions and annuities	-\$6,505,622	-\$6,265,494
Net 3(8)(c) reimbursements	-2,555	-22,093
Refunds to members	-172,803	-273,847
State reimbursement	<u>298,210</u>	<u>138,486</u>
Net benefit payments	-\$6,382,770	-\$6,422,948
<b>Change in reserve for future benefits</b>	\$5,117,420	\$3,870,009

**SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System**

**EXHIBIT D**

**Development of the Fund Through December 31, 2005**

<b>Year Ended December 31</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Other Contributions</b>	<b>Net Investment Return*</b>	<b>Administrative Expenses</b>	<b>Benefit Payments</b>	<b>Actuarial Value of Assets at End of Year</b>
1998	\$3,145,011	\$1,222,969	\$5,484	\$7,860,382	\$126,339	\$3,952,061	\$63,402,638
1999	3,465,051	1,434,600	0	1,202,262	129,106	4,706,292	64,669,153
2000	3,635,388	1,534,686	17,326	950,348	182,069	5,178,170	65,446,662
2001	4,090,676	1,754,650	14,387	3,006,488	131,933	5,195,338	68,985,592
2002	4,177,033	1,843,043	20,740	-2,823,332	194,704	5,493,872	66,514,500
2003	4,288,248	1,670,118	0	3,822,094	158,691	5,889,392	70,246,877
2004	4,484,327	1,793,072	48,540	4,152,486	185,468	6,422,948	74,116,886
2005	4,841,775	2,470,199	0	4,415,370	227,154	6,382,770	79,234,306

\* Net of investment expenses.

**SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System**

**EXHIBIT E**

**Development of Unfunded Actuarial Accrued Liability and (Gain)/Loss**

	Year Ended	
	December 31, 2005	December 31, 2004
1. Unfunded actuarial accrued liability at beginning of year	\$39,087,641	\$38,777,358
2. Normal cost at beginning of year	3,661,003	3,503,352
3. Total contributions	-7,311,974	-6,325,939
4. Interest		
(a) For whole year on (1) + (2)	\$3,419,892	\$3,382,457
(b) For half year on (3)	<u>-288,753</u>	<u>-249,587</u>
(c) Total interest	<u>3,131,139</u>	<u>3,132,870</u>
5. Expected unfunded actuarial accrued liability	\$38,567,809	\$39,087,641
6. Changes due to:		
(a) Investment loss	\$2,998,028	--
(b) Change in actuarial assumptions	538,434	--
(c) Veterans' allowances for accidental disability retirees	97,116	--
(d) Miscellaneous gain	<u>-2,532,407</u>	--
(e) Total changes	<u>1,101,171</u>	--
7. Unfunded actuarial accrued liability at end of year	<u>\$39,668,980</u>	--

**SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System**

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**EXHIBIT F**

**Table of Amortization Bases as of July 1, 2006**

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<b>Type</b>	<b>Annual Payment</b>	<b>Years Remaining</b>	<b>Outstanding Balance</b>
1992 ERI liability	\$418,157	2.00	\$807,084
Remaining unfunded liability	<u>2,767,038</u>	20.00	<u>40,418,129</u>
Total	\$3,185,195		\$41,225,213

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*Notes: Amortization payments increase at 4.50% per year.*

*Payments include adjustment for timing.*

*Does not reflect adjustment to set fiscal 2007 appropriation to budgeted amount.*

**SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System**

**EXHIBIT G  
Funding Schedule**

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of 1992 ERI Liability	(4) Amortization of Remaining Unfunded Liability	(5) Total Employer Contribution: (2) + (3) + (4)	(6) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year
2007	\$2,101,466	\$418,157	\$2,540,032	\$5,059,655	\$41,225,213
2008	2,196,032	436,974	2,908,632	5,541,638	41,389,269
2009	2,294,853	-	3,039,521	5,334,374	41,156,011
2010	2,398,121	-	3,176,299	5,574,420	41,228,365
2011	2,506,036	-	3,319,233	5,825,269	41,161,602
2012	2,618,808	-	3,468,598	6,087,406	40,938,071
2013	2,736,654	-	3,624,685	6,361,339	40,538,417
2014	2,859,803	-	3,787,796	6,647,599	39,941,429
2015	2,988,494	-	3,958,247	6,946,741	39,123,880
2016	3,122,976	-	4,136,368	7,259,344	38,060,348
2017	3,263,510	-	4,322,505	7,586,015	36,723,028
2018	3,410,368	-	4,517,017	7,927,385	35,081,526
2019	3,563,835	-	4,720,283	8,284,118	33,102,633
2020	3,724,208	-	4,932,696	8,656,904	30,750,085
2021	3,891,797	-	5,154,667	9,046,464	27,984,299
2022	4,066,928	-	5,386,627	9,453,555	24,762,090
2023	4,249,940	-	5,629,025	9,878,965	21,036,361
2024	4,441,187	-	5,882,332	10,323,519	16,755,773
2025	4,641,040	-	6,147,036	10,788,076	11,864,380
2026	4,849,887	-	6,423,653	11,273,540	6,301,242
2027	5,068,132	-	-	5,068,132	-
2028	5,296,198	-	-	5,296,198	-

*Notes: Recommended contributions are assumed to be paid on July 1 and December 31.  
Amortization payments increase at 4.50% per year.  
Assumes contribution of budgeted amount for fiscal 2007.*

**SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System**

**EXHIBIT H**

**Department Results as of January 1, 2006**

<b>Category</b>	<b>Housing</b>	<b>Public Safety</b>	<b>Water &amp; Sewer Enterprise Fund</b>	<b>Sassamon Trace Enterprise Fund</b>	<b>All Others</b>	<b>Total</b>
1. Demographics						
Actives	13	160	26	2	383	584
Inactives	1	5	1	0	64	71
Retired	<u>1</u>	<u>131</u>	<u>16</u>	<u>0</u>	<u>219</u>	<u>367</u>
Total	15	296	43	2	666	1,022
2. Total normal cost	\$68,912	\$1,601,937	\$125,577	\$17,191	\$2,054,791	\$3,868,408
3. Administrative expenses	4,454	103,527	8,116	1,111	132,793	250,000
4. Expected employee contributions	<u>-43,490</u>	<u>-794,858</u>	<u>-100,036</u>	<u>-7,745</u>	<u>-1,155,733</u>	<u>-2,101,862</u>
5. Employer normal cost: (2) + (3) + (4)	\$29,876	\$910,606	\$33,657	\$10,557	\$1,031,851	\$2,016,546
6. Employer normal cost as a percent of payroll	5.1%	9.8%	2.7%	13.4%	7.6%	8.1%
7. Actuarial accrued liability	\$1,751,717	\$59,879,088	\$5,125,066	\$28,296	\$52,119,119	\$118,903,286
8. Actuarial value of assets	1,167,302	39,901,992	3,415,221	18,856	34,730,934	79,234,306
9. Unfunded actuarial accrued liability: (7) – (8)	584,415	19,977,096	1,709,845	9,440	17,388,185	39,668,980
10. Projected payroll	585,854	9,323,234	1,239,778	79,003	13,586,714	24,814,583
11. Fiscal Year 2007 appropriation	73,599	2,253,643	175,794	11,619	2,545,000	5,059,655
12. Fiscal Year 2008 appropriation	80,673	2,485,677	194,483	12,203	2,768,601	5,541,638

*Notes: Recommended contributions are assumed to be paid on July 1 and December 31.  
Assumes contribution of budgeted amount for fiscal 2007.*

**SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System**

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**EXHIBIT I**

**Definitions of Pension Terms**

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The following list defines certain technical terms for the convenience of the reader:

**Assumptions or actuarial assumptions:**

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Normal cost:**

The amount of contributions required to fund the benefit allocated to the current year of service.

**Actuarial Accrued Liability for actives:**

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

**Actuarial accrued liability for pensioners:**

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

**Unfunded actuarial accrued liability:**

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

**SECTION 3: Supplemental Information for the Town of Natick Contributory Retirement System**

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**Amortization of the unfunded  
actuarial accrued liability:**

Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

**Investment return:**

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

**SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System**

**EXHIBIT I**

**Summary of Actuarial Valuation Results**

The valuation was made with respect to the following data supplied to us:

1. Retired participants as of the valuation date (including 53 beneficiaries in pay status)	367
2. Participants active during the year ended December 31, 2005 with total accumulated contributions of \$20,652,472 and project payroll of \$24,814,583	584
3. Inactive participants with a right to a return of their employee contributions as of December 31, 2005	62
4. Inactive participants with a vested right to a deferred or immediate benefit as of December 31, 2005	9

The actuarial factors as of the valuation date are as follows:

1. Normal cost, including administrative expenses	\$4,118,408
2. Expected employee contributions	-2,101,862
3. Employer normal cost: (1) + (2)	\$2,016,546
4. Actuarial accrued liability	118,903,286
Retired participants and beneficiaries	\$56,207,588
Active participants	61,770,770
Inactive participants	924,928
5. Actuarial value of assets (\$73,066,053 at market value)	79,234,306
6. Unfunded actuarial accrued liability: (4) – (5)	39,668,980

The actuarial factors projected to July 1, 2006 are as follows:

1. Employer normal cost projected to July 1, 2006, adjusted for timing	\$2,101,466
2. Projected unfunded actuarial accrued liability	41,225,213
3. Payment on projected unfunded actuarial accrued liability, adjusted for timing	3,185,195
4. Preliminary recommended contribution: (1) + (3)	<u>\$5,286,661</u>
5. Budgeted appropriation	\$5,059,655
6. Projected payroll	25,366,767

*Notes: Amortization payments increase at 4.50% per year.  
Recommended contributions assumed to be paid on July 1 and December 31.*

**SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System**

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**EXHIBIT II**

**Supplementary Information Required by the GASB – Schedule of Employer Contributions**

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<b>Plan Year Ended December 31</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
1998	\$3,145,011	\$3,145,011	100.0%
1999	3,456,051	3,456,051	100.0%
2000	3,635,388	3,636,388	100.0%
2001	4,090,676	4,090,676	100.0%
2002	4,177,033	4,177,033	100.0%
2003	4,288,248	4,288,248	100.0%
2004	4,484,327	4,484,327	100.0%
2005	4,841,775	4,841,775	100.0%

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**SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System**

**EXHIBIT III**

**Supplementary Information Required by the GASB – Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)</b>
01/01/1997	\$46,435,956	\$62,827,480	\$16,391,524	73.91%	\$16,025,601	102.28%
01/01/1999	63,402,638	86,939,398	23,536,760	72.93%	17,641,644	133.42%
01/01/2000	64,669,153	89,688,360	25,019,207	72.10%	18,611,143	134.43%
01/01/2002	68,985,592	100,572,515	31,586,923	68.59%	22,056,144	143.21%
01/01/2004	70,246,877	109,024,236	38,777,359	64.43%	22,170,379	174.91%
01/01/2006	79,234,306	118,903,286	39,668,980	66.64%	24,814,583	159.86%

**SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System**

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**EXHIBIT IV**

**Supplementary Information Required by the GASB**

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<b>Valuation date</b>	January 1, 2006
<b>Actuarial cost method</b>	Entry Age Normal Cost Method
<b>Amortization method</b>	Payments increase at 4.50% per year
<b>Remaining amortization period</b>	2 years from July 1, 2006 for 1992 Early Retirement Incentive and 20 years from July 1, 2006 for the remaining unfunded liability
<b>Asset valuation method</b>	5 year smoothing of market value returns greater (less) than expected.
<b>Actuarial assumptions:</b>	
Investment rate of return	8.00%
Projected salary increases	5.50%
Cost of living adjustments	3.00% of first \$12,000 of retirement income
<b>Plan membership:</b>	
Retired participants and beneficiaries receiving benefits	367
Terminated participants entitled to, but not yet receiving benefits	71
Active participants	<u>584</u>
Total	1,022

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**SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System**

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**EXHIBIT V**  
**Actuarial Assumptions and Actuarial Cost Method**

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**Mortality Rates:**

*Healthy:* 1983 Group Annuity Mortality Table  
*Disabled:* Revenue Ruling 96-7, Post-1994 Disabled Mortality

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Termination Rates before Retirement:	Groups 1 and 2 - Rate (%)				
	Age	Mortality		Disability	Withdrawal
		Male	Female		
	20	0.04	0.02	0.06	7.94
	25	0.05	0.03	0.09	7.72
	30	0.06	0.03	0.11	7.22
	35	0.09	0.05	0.15	6.28
	40	0.12	0.07	0.22	5.15
	45	0.22	0.10	0.36	3.98
	50	0.39	0.16	0.61	2.56
	55	0.61	0.25	1.01	0.94
	60	0.92	0.42	1.63	0.00

*Notes: 55% of the disability rates shown represent accidental disability.  
40% of the accidental disabilities will die from the same cause as the disability.  
55% of the death rates shown represent accidental death.*

**SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System**

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Age	Group 4 - Rate (%)			
	Mortality		Disability	Withdrawal
	Male	Female		
20	0.04	0.02	0.12	0.00
25	0.05	0.03	0.17	0.00
30	0.06	0.03	0.22	0.00
35	0.09	0.05	0.29	0.00
40	0.12	0.07	0.44	0.00
45	0.22	0.10	0.72	0.00
50	0.39	0.16	1.21	0.00
55	0.61	0.25	2.02	0.00
60	0.92	0.42	3.25	0.00

*Notes: 90% of the disability rates shown represent accidental disability.  
 40% of the accidental disabilities will die from the same cause as the disability.  
 90% of the death rates shown represent accidental death.*

**Retirement Rates:**

Age	Rate (%)	
	Groups 1 and 2	Group 4
55	5.0	10.0
56	2.5	2.0
57	2.5	2.0
58	2.5	2.0
59	2.5	2.0
60	2.5	25.0
61	2.5	5.0
62	25.0	5.0
63	10.0	5.0
64	10.0	5.0
65	10.0	25.0
66	100.0	5.0

**SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System**

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**Retirement Rates (continued):**

		Rate (%)	
Age	Groups 1 and 2	Age	Group 4
67	100.0	62	5.0
68	100.0	63	5.0
69	100.0	64	5.0
70	100.0	65	100.0

**Unknown Data for Participants:** Same as those exhibited by participants with similar known characteristics.

**Age of Spouse:** Female (or male) spouses 3 years younger (or older) than their spouses.

**Percent Married:** 85%

**Net Investment Return:** 8.00%

**Interest on Employee Contributions:** 3.50%

**Salary Increases:**

Age	Present salary as a percent of salary at 65	Annual increase rate (%)
20	8.99	5.50
25	11.75	5.50
30	15.35	5.50
35	20.06	5.50
40	26.22	5.50
45	34.27	5.50
50	44.79	5.50
55	58.54	5.50
60	76.51	5.50

*Includes allowance for inflation of 4.50%.*

**Administrative Expenses:** \$250,000 for calendar 2006, increasing 4.50% per year (previously, \$170,000 for calendar 2004).

**SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System**

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<b>Total Service</b>	Service is calculated from Adjusted Date of Hire reported in the data.
<b>2005 Salary:</b>	2005 salaries are equal to salaries provided in the data, except for actives missing salary, where salaries were calculated from annualized contributions divided by the contribution rates provided.
<b>Actuarial Value of Assets:</b>	A preliminary actuarial value is first determined by taking the actuarial value of assets at the beginning of the year and adding assumed investment earnings (at the assumed actuarial rate of return) and the net new money during the year (contributions less benefit payments and administrative expenses). Twenty percent of the difference between the market value of assets and the preliminary actuarial value of assets is added to the preliminary actuarial value. In order that the actuarial value not differ too significantly from the market value of assets, the final actuarial value of assets must be within 20% of the market value of assets.
<b>Actuarial Cost Method:</b>	Entry Age Normal Actuarial Cost Method. Entry Age is the age of the participant at Adjusted Date of Hire. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary.

**SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System**

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**EXHIBIT VI**  
**Summary of Plan Provisions**

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This exhibit summarizes the major provisions of Chapter 32 of the Laws of Massachusetts.

**Plan Year:** January 1 – December 31

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**Retirement Benefits**

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

The annual amount of the retirement allowance is based on the participant’s final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the following table based on the age of the participant at retirement:

<b>Age Last Birthday at Date of Retirement</b>			
<b>Percent</b>	<b>Group 1</b>	<b>Group 2</b>	<b>Group 4</b>
2.5	65 or over	60 or over	55 or over
2.4	64	59	54
2.3	63	58	53
2.2	62	57	52
2.1	61	56	51
2.0	60	55	50
1.9	59	--	49
1.8	58	--	48
1.7	57	--	47
1.6	56	--	46
1.5	55	--	45

**SECTION 4: Reporting Information for the Town of Natick Contributory Retirement System**

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A participant's final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement. The \$30,000 cap on salary used in a benefit determination for any employee hired after January 1, 1979 has been removed.

The maximum annual amount of the retirement allowance is 80 percent of the participant's final three-year average salary. Any participant who is a veteran also receives an additional yearly retirement allowance of fifteen dollars per year of creditable service, not exceeding three hundred dollars. The veteran allowance is paid in addition to the 80 percent maximum.

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**Employee Contributions**

Employees hired before January 1, 1975 contribute 5 percent of their salary; employees hired after December 31, 1974 and before January 1, 1984 contribute 7 percent; employees hired after January 1, 1984 contribute 8 percent; employees hired after July 1, 1996 contribute 9 percent. In addition, employees hired after December 31, 1978 contribute an additional 2 percent of salary in excess of \$30,000.

Employees hired after 1983 who leave with less than five years of credited service receive no interest on their contributions and employees who leave with five but less than ten years receive one-half the rate of regular interest otherwise payable.

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**Retirement Benefits (Superannuation)**

Participants of Group 1, 2 or 4 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Participants who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the system).

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**Ordinary Disability Benefits**

A participant who is unable to perform his job due to a non-occupational disability will receive a retirement allowance if he has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the participant retired for superannuation at age 55, based on the

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amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the participant's most recent year's pay plus an annuity based on his own contributions.

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### **Accidental Disability Benefit**

For a job-connected disability the benefit is 72 percent of the participant's most recent annual pay plus an annuity based on his own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become participants after January 1, 1988.

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### **Death Benefits**

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of his death, a spouse's benefit will be paid the full amount the employee would have received under Option C. The surviving spouse of a participant who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the participant's most recent annual pay in addition to a refund of the participant's accumulated deductions, plus additional amounts for surviving children.

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### **"Heart And Lung Law" And Cancer Presumption**

Any case of hypertension or heart disease resulting in total or partial disability or death to a uniformed fireman or permanent participant of a police department is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. Any case of disease of the lungs or respiratory tract resulting in total disability or death to a uniformed fireman is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. There is an additional presumption for uniformed firemen that certain types of cancer are job-related if onset occurs while actively employed or within five years of retirement.

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### Options

Participants may elect to receive a full retirement allowance payable for life under Option A. Under Option B a participant may elect to receive a lower monthly allowance in exchange for a guarantee that at his death any of his contributions not expended for annuity payments will be refunded to his beneficiary. Option C allows the participant to take a lesser retirement allowance in exchange for providing his survivor with two-thirds of the lesser amount. Option C pensioners who retire in 1988 or later will have their benefits converted from a reduced to a full retirement if the beneficiary predeceases the retiree.

### Post-Retirement Benefits

The Board has adopted the provisions of Section 51 Chapter 127 of the Acts of 1999, which provide that the Retirement Board may approve an annual COLA in excess of the Consumer Price Index but not to exceed a 3% COLA on the first \$12,000 of a retirement allowance. Cost-of-living increases granted prior to July 1, 1998 are reimbursed by the Commonwealth and not reflected in this report.